

## SECOND MEMOIR ON PAUPERISM

(1837)

In an earlier article, I tried to show that today's public and private charities are powerless to cure the miseries of the poor classes. It remains for me to search for the means that might be used to prevent these miseries from arising.

Such a subject is almost without natural limits, and I feel the need to place boundaries on myself that are not indicated by the subject.

Among those whose situation places them at the threshold of need and to which the subject of this article refers, it is appropriate to establish two broad categories: on one side are found the poor belonging to the agricultural classes; on the other side, the poor who are a part of the industrial classes. These two aspects of my subject must be taken separately and examined in detail at least as much as the narrow limits of the present work will allow.

I will only touch lightly on what pertains to the agricultural classes, since the great menaces of the future do not come from there.

In France, substitutions<sup>1</sup> have been abolished, and equality of shares has penetrated mores at the same time that it was established in laws. Thus, it is certain that in France, property ownership will never be concentrated in a few hands, as is still seen in parts of Europe.

Now the same division of land that could harm—at least temporarily—agricultural progress by preventing the concentration of capital in the hands of property owners who wanted to innovate produces this immense good: it forestalls the development of pauperism in the agricultural classes. When, as was the case in England, the peasant did not possess any part of the land, the masters' caprices or greed could suddenly inflict terrible miseries upon the peasant. This is easily understood. The same number of men is not necessary for all types of farming, nor called for by every method of farming.

When, for example, you convert wheat fields into pasture, one shepherd could easily replace a hundred cultivators. When you make one large farm out of twenty smaller ones, a hundred men would suffice to cultivate the same fields that used to call for four hundred hands. From the technical point of view, there has perhaps been progress in the conversion of wheat fields to grasslands and of small farms into large holdings, but the peasant at whose expense such experiments are conducted cannot fail to suffer from them. I have heard from a wealthy Scottish landowner that a change in the manner of managing and cultivating his lands forced three thousand peasants to leave their homes and go to seek their fortunes elsewhere. The agricultural population of that burgh of Scotland thus found itself suddenly exposed to the same miseries that constantly strike the industrial populations when new machines are discovered.

Such events give rise to pauperism among the agricultural classes, as well as to its disproportionate growth among the industrial classes. Men who are thus violently ripped from the cultivation of the earth seek refuge in workshops and factories.

Hence, the industrial class grows not only in a natural and haphazard manner according to industrial needs but also suddenly and by an artificial process following the miseries of the agricultural class. This latter process quickly produces a surplus and destroys the balance that should always exist between consumption and production.

The concentration of landed property into a small number of hands has not only accidentally resulted in bringing misery to a portion of the agricultural class but also has given a large number of farmers ideas and habits that will necessarily make them miserable in the long run.

What do we see before our own eyes every day? Which members of the inferior classes most freely succumb to every excess of intemperance and love to live as if each day has no tomorrow? Which ones show the greatest lack of foresight in everything? Who contracts those premature and imprudent marriages that seem to have no other object than to multiply the number of the earth's unhappy inhabitants?

The response is simple. They are the proletarians, those who have no other property under the sun than their own labor. As these same men come to possess any portion of land, however small, do you not notice that their ideas modify and that their habits change? Is it not apparent that with landed property comes thought of the future? From the moment they feel they have something precious to lose, they become prudent. As soon as they believe themselves to be the means of removing themselves and their children from poverty's ravages, they take energetic measures to escape poverty, and by momentary privations, they seek to assure themselves of a lasting well-being. These people are not yet wealthy, but they already have those qualities that give birth to wealth. Franklin was in the habit of saying that with order, activity, and economy, the road to fortune was as easy as the road to the market.<sup>2</sup> He was right.

Thus, it is not poverty that makes the farmer imprudent and reckless, because with a very small field, he could still be very

poor. It is the complete absence of all property; it is the absolute subjection to chance.

I add that among the means of giving men the feeling of order, activity and economy, I have never known a more powerful one than facilitating their access to landed property.

Again, I will cite the example of the English. Taken as a whole, the peasants in England are perhaps more enlightened<sup>3</sup> and they do not appear to be less industrious than the ones here. Why do they generally live in this beast-like indifference for tomorrow, of which we have not even the idea? From whence does a cold people get this reckless taste for imprudence? Simple: in England, the laws and habits have combined so that no portion of land ever falls into the possession of the poor person. Neither his well-being nor even his existence ever depends on himself, but instead on the will of the wealthy people against whom he can do nothing and who can give or refuse him work as they please. Not having any direct and permanent influence over his own future, he ceases to concern himself with it and willingly forgets that it exists.

Thus, the most efficacious means of preventing pauperism among the agricultural classes is most certainly the division of land. We have this division in France; thus, one should not fear that large and permanent wretchedness would ever be established among them. But the comfort of these classes could be greatly expanded and bad individuals among them could be made rarer and less cruel. The duty of government and of all good people is to work for this.

It is beyond my present subject to search for the means [of doing these things].

If the agricultural class in France is not as exposed to inevitable reverses as elsewhere, the industrial class is hardly less so. The remedy that we have successfully applied to the miseries of the farmer has not been — and it is unlikely ever to be — applied to the woes of the industrial worker.

Unlike with landed property, we have still not discovered a way of dividing industrial property so that it is not made unproductive; industry has preserved the aristocratic form in modern nations, although everywhere, we see the institutions and mores born of aristocracy fading away.

Until now, experience has shown that in order to engage in most commercial enterprises with any hope of success, large capital concentrated in a small number of hands is necessary. Thus, we find a few individuals who possess great wealth and who put to work on their behalf a multitude of workers who possess nothing themselves. Such is the spectacle that French industry presents nowadays. It is exactly what happened here in the Middle Ages and what we see still happening to agricultural industry over much of Europe.

The results are similar. Today's worker, like the farmer of the Middle Ages, having no property that belongs to him and seeing no way of securing his future tranquility and of gradually raising himself up to wealth by his own efforts, becomes indifferent to everything that is not present enjoyment. His indifference delivers him, defenseless, to every chance of misery. But this great and essential difference exists between the agricultural proletariat and the industrial proletariat: the latter, regardless of the habitual miseries to which his lack of foresight might deliver him, is still incessantly exposed to accidental evils that he cannot foresee and which do not menace the former. And these chances are infinitely larger in actual industry than in agriculture, because as we will explain below, industry is subject to sudden crises that agriculture has never known.

These unforeseeable evils lead to commercial crises. Commercial crises are permanently attributable to two causes:

- When the number of workers increases without production figures varying, salaries diminish, and there is a crisis.

- When the number of workers remains the same, but production figures fall, many workers become superfluous, and there is a crisis.

We have seen that France is much less exposed than other industrial nations to the first type of crisis, because our agricultural class is never suddenly and violently forced into industry.

France is also much less exposed than other manufacturing peoples to the second type of crisis, because she depends less on foreign countries. Let me explain.

When one nation's industry depends on the whims or the needs of foreign nations, of faraway and almost unknown nations, it is easy to see that as these whims or needs happen to change as a result of causes that could not be foreseen, an industrial revolution is always to be feared. By contrast, when the sole or principal consumer of a country's products is found within that same country, its needs and its tastes would not be able to vary in such a sudden and unforeseen manner that the producer would not be able to discover well in advance the impending change and, the change itself only taking effect gradually, there is discomfort in commerce, but there is rarely a crisis.

The world is obviously headed toward that point at which all nations will be equally civilized, or in other terms, similar enough to each other to be able to produce domestically the majority of products they need and desire. Commercial crises will thus become rarer and less severe. But we are still far from this time; today, there are still sufficient inequalities of enlightenment, power, and industry among peoples, so that some of them can take care of producing the objects that a large number of the others need. These peoples, entrepreneurs in human industry, easily amass immense riches, but they are incessantly threatened by terrible dangers.

Such is England's position. France's commercial situation is both less brilliant and more secure. France only exports abroad

the . . .<sup>4</sup> of her products; the rest are sold domestically. Our aggregate consumption continually rises, but our new consumers are generally French.

In France, therefore, commercial crises can be neither as frequent nor as widespread nor as cruel as they are in England. But we would not know what to do if there were ever a crisis, because we lack the means to balance—in a permanent and exact manner, even within the kingdom itself—the number of workers and the amount of work, consumption and production.

One can thus foresee that the industrial classes, regardless of the general and permanent causes of poverty that affect them, will frequently be subjected to crises. It is therefore quite necessary to be able to protect them both from the evils that they bring upon themselves and from those evils against which they can do nothing. The whole question is how to know which preventive means they should use in order to mitigate the effects of those evils.

In my opinion, the crux of the problem to be solved is this:

To find a means of giving the worker the small farmer's spirit and habits of property ownership.

Two principal means of doing this present themselves: the first, which initially seems the most efficacious, would consist in giving the worker an interest in the factory. This would produce effects in the industrial class similar to the division of landed property among the agricultural class.

It would be beyond the limits of this work to examine all of the plans that have successively been proposed in order to achieve this result.

I will therefore content myself with briefly saying that these plans have always encountered two obstacles to their success: on the one hand, industrial capitalist entrepreneurs [*les capitalistes entrepreneurs d'industrie*] have almost all shown themselves little inclined to give their workers a proportionate amount of profits or to contribute to the company small sums which could be

shared by the workers. I think that from their own perspective [*dans leur intérêt*], they have made a grave mistake in not doing this, but it would be neither just nor useful to require it of them. On the other hand, when workers have wanted to do without capitalists,<sup>5</sup> to form their own associations, to raise money and to manage their work with the help of a trade union, they have not been able to succeed. Disorder has not been long in entering into the association, [or] its agents have been unfaithful, [or] its capital insufficient or unstable, [or] its credit virtually nonexistent, [or] its commercial relations very restricted. Ruinous competition would soon force the association to dissolve itself. Such attempts have often been repeated before our very eyes—particularly in the past seven years—but always in vain.

Nevertheless, I am led to believe that a time is approaching when a large number of industries might be run in this manner. As our workers gain broader knowledge and as the art of associating together [*s'associer*] for honest and peaceful goals makes progress among us, when politics does not meddle in industrial associations and when government, reassured about their goals, does not refuse them its benevolence and its support, we will see them multiply and prosper. In democratic ages like ours, I think that associations of all sorts must gradually come to take the place of the commanding action of a few powerful individuals.

It thus seems to me that the idea of workers' industrial associations is bound to be a fertile one, but I do not think it is ripe. Therefore, it is presently necessary to seek remedies elsewhere.

Since one cannot give workers an interest in the ownership of the factory, one can at least help them in the creation of their independent property, with the aid of their salaries drawn from the factory.

Encouraging the saving of salaries and offering workers an easy and reliable method to build these savings and to make them generate returns—such are thus the only means society can nowadays use in its goal of fighting the negative effects of the



concentration of movable property in the same hands and the only means to give the industrial class the spirit and habits of property that a large portion of the agricultural class possesses.

The entire question thus boils down to seeking means that would permit the poor to build their savings and render them productive.

The first of these means, and the only one that has been used in France up to now, is the establishment of savings banks.

So I will speak at some length about savings banks. French savings banks differ slightly among themselves in administrative detail, but they can ultimately all be thought of as establishments through which poor people place their savings in the hands of the State, which is tasked with investing them profitably and earning 4 percent interest on them.

It is more or less the same in England, except the interest paid by the State is a little lower than here.

Doesn't such a remedy present grave dangers?

First, I note that in France, the State, which gives poor people 4 percent of their money, could easily borrow at 2.5 or 3 percent. Thus, it is at least 1 percent that the state needlessly and for special reasons pays to its creditors. The resulting sum must be considered as the product of a genuine poor tax that the government levies on all taxpayers in order to help the neediest of them.

Would the State want to bear this burden for a long time? Could it? This seems very doubtful.

In just a few years, the total in our savings banks has risen to more than one hundred million. Right now, it is four hundred million in England.<sup>6</sup> In Scotland, which has but 2,300,000 inhabitants, poor people's savings total almost four hundred million.

If France's poor classes bring four or five hundred million into the Public Treasury, in a period in which paying 4 percent interest is possible and even likely, would the Treasury be in a position to accept that money? Even if the interest were reduced, which would already be a great misfortune, wouldn't such an amount often be much more embarrassing than useful?

The current setup of our savings banks is thus troublesome for the Treasury. Does their creation offer desirable protections to the nation and to the poor themselves? I do not think so.

What employment could the State find for these sums that are being deposited in its hands from all corners of France?

Will it employ them to provide for the Treasury's daily needs? But the Treasury's needs are limited, and the growth of savings banks is not. A moment therefore comes when the State, receiving more than it is able to spend, is forced to let immense amounts of unproductive capital accumulate in its hands. This is what we have recently seen. When the recent law about savings banks was presented (February 1837), the Treasury had sixty-four million in ready cash in the bank, of which it paid 4 percent to owners and which yields the Treasury nothing, and which is entirely removed from circulation, always an unfortunate measure.

Because of this, one of the speakers who took part in the discussion of the recent law said that it was necessary to create expenditures in order to consume capital—an idea that has been developed by other speakers who have spoken of large public works that would be undertaken with the workers' savings. Because these works would not or could not be productive for the State, all of this ultimately boils down to burdening, each year, the mass of taxpayers with the interest on the sums that the poor have deposited in the Public Treasury. This would obviously be a poor tax, under another name.

If the State does not use the money in the savings banks to provide for the Treasury's daily needs, it is necessary to position the money so that it yields the Treasury interest. Now, it is easy to see that there is only one appropriate investment, the purchase of bonds. The State is the holder of the savings banks' money only under the condition of returning it at the depositors' first demand; thus, it cannot itself invest depositors' money except under the same condition—that is, with the ability to liquidate

on demand, in order to pay its creditor. Now, only bonds which are negotiable on the spot are able to do that on a large scale. Thus, the State, whether represented by the Treasury or by the Deposits and Consignments Fund, is able to place the funds of the poor only in bonds. This has many serious inconveniences, but particularly this one: when the poor deposit money, bonds are purchased continually and at high prices, precisely because many are being purchased at once; when there is a panic or serious misfortune and the poor ask for their money, bonds have to be sold in order to pay them, and they are always sold at low prices, for the reason that many are sold at once. The State is thus placed in this deplorable position, where it always has to buy high and sell low, which means losing money.

This account is accurate and I think that no one would currently consider disputing it.

Hence, depositing poor people's money in the hands of the State is or could easily become very onerous to the State, and, what is worse, it could impose upon the State charges whose extent is impossible to anticipate in advance.

That is not all. Is this in conformity with the country's general interest and safety? From the economic point of view, I think it is harmful to incessantly bring to the center all the small pools of capital available in the provinces, for they might be used to enrich localities. I know that some of this capital returns to the localities in the form of government officials' salaries and public works . . .<sup>7</sup> But this return of money from the center to the extremities occurs slowly and unequally; the biggest sums are often spread out across provinces that have given the least to the Treasury and that are, being poorer and more backward, in the greatest need of having roads built, canals dug, and so on. Moreover, it is always just a part of the savings of the poor that returns to them in the form of salaries or social improvements. The bulk, especially after the new law, will get lost in the public funds and remain in commercial or bondholders' hands in Paris.

If I consider the present system from a purely political point of view, its dangers strike me even more.

Personally, I cannot believe that it would be wise to place the entire fortune of a large kingdom's poor classes in the same hands, and so to speak, in a single place, in such a way that an event—surely improbable, but possible—could in one stroke ruin their last and only resources and bring to despair entire populations who, no longer having anything to lose, would more readily descend upon the possessions of others.

In the last one hundred years, the State has declared bankruptcy more than once: the Old Regime did it, the Convention did it. During the past fifty years, France's government has been radically changed seven times, and it has been reorganized many other times. In this same period, the French have had twenty-five years of terrible war and two almost complete invasions of their territory. It is painful to recall these facts, but prudence demands that we not forget them. In a transitional age such as ours, in an age that has been forcefully brought to long agitations by its timing and nature, in such an age, is it wise to deliver into the hands of government, whatever be its form and its present representative, the entire fortune<sup>8</sup> of such a large number of men? I cannot believe it is, and I need to have proven to me that such a thing is necessary before I submit to it.

Moreover, what must be feared is not only that the government seizes the capital loaned by the poor but also that the lenders, by their own imprudence, make it impossible for their creditor to return the capital and force it to go bankrupt.<sup>9</sup>

What is the goal of savings banks? To permit the poor person to gradually accumulate capital during prosperous years that they can use in times of misfortune. It is thus in the very essence of savings banks that repayment be always payable and in small sums—that is, in cash.

In a moment of national crisis, in a time of revolution, when real or imaginary fears about the Public Treasury's solvency

could suddenly strike the people's minds, it would thus be possible that within a few days, the State could be instructed to pay out, *in cash*, many hundreds of millions of francs. This is something, however, that it would not be able to do. And yet, who would dare calculate the effect that the announcement of such an event<sup>10</sup> would have upon all of the indigent classes in a large kingdom like France?

With the commendable intention of allaying the ill-founded fears to which the latest law about savings banks has given birth in the minds of the Parisian working class, M. Charles Dupin<sup>11</sup> has recently tried to establish that in France, savings bank deposits cannot exceed certain fixed limits, the ceiling of which he sets at about 250 million, already a considerable sum, but one that the State could nevertheless surely manage.

In order to head off the argument that would be inevitably drawn from the example of England and above all from the example of Scotland, where with a population of a little more than two million inhabitants, savings banks—founded for only thirty-six years [*sic*—have already received deposits amounting to four hundred million francs, M. Charles Dupin remarks that in England, it is only by depositing funds in savings banks that the lower classes, unable to own land, are able to succeed in using their savings.

The facts are true, but the conclusion drawn from them is extremely exaggerated. Whether saving is done with the goal of buying land or bonds is of little importance. The operative fact<sup>12</sup> is saving, and not the final objective of the savings.

I will go even further and say that, if real and absolute trust in the solvency of savings banks were to be established among France's agricultural classes, one would see—all other things being equal—infinitely more money flooding into accounts than is put into them in England. The reason for this is simple: among us, the peasant is frugal, but he economizes with the sole goal of buying land. His money thus has but one use, or no use. Here in

France, then, there is much more small capital available for the savings bank than there is in other places, and there are many more who would take this route, were it not for an instinctive fear that experience would surely diminish but that now keeps capital in the hands of those who possess it.

It is evident that as enlightenment grows and as the habit of seeking to use one's daily savings expands among France's poor classes, the small landed proprietor will no longer be piling up pennies in some quarter of his house—the total of which is supposed to allow him to expand his lands—and will thus no longer be leaving a small amount of capital unproductive and exposed to thousands of accidents over a long sequence of years. This small farmer, I say, will undoubtedly bring his savings to the local savings bank with the idea of one day withdrawing those savings from it in order to make the land acquisition that he desires. Savings banks are precisely the sole appropriate investments for those types of people who, wanting only to buy small pieces of land in their immediate neighborhood, need always to have available capital in order to be always in position to instantly seize the rare opportunities that present themselves.

The French peasant's taste for land thus does not prevent or does not strongly prevent the growth of deposits made in the savings bank. In reality, these deposits are limited only by the poor man's ability to save and by the greater or lesser enlightenment<sup>13</sup> that makes him see more or less clearly that his interest lies in not leaving his savings unproductive and exposed.

This is what needs to be understood well, because peoples—like individuals—gain nothing by hiding the truth. On the contrary, both need to consider the truth directly in order to see if one might by chance find a remedy amid the bad things.

What follows from all of this?

Put simply, I am far from saying that the savings banks, with the constitution we have given them, offer a *present* danger: they pose none. I even believe that if we could find a means of making the possibility of future danger disappear, it would still be neces-

sary to create savings banks. The physical and moral evils that cause shortsightedness and pauperism are real and immense; the evils that the remedy would bring in the long run are distant and might not ever arrive. This consideration is enough to determine my mind.<sup>14</sup>

All I wish to say is that it would be imprudent to believe we have found in savings banks—as we see them today—a certain remedy against future evils and that we should guard against seeing their establishment as a kind of universal panacea. Rather than being lulled to sleep by this false security, today's economists and statesmen should try on the one hand to improve savings banks' composition and on the other to create additional resources through which the poor could save.

Savings banks are an excellent means of instilling in the poor the idea of saving and of earning interest on their savings. But these banks cannot become the only safe place for the poor to deposit their savings.

Let us briefly examine these two topics.

I pretend neither to research nor, above all, to show all of the improvements that could be introduced into the system of savings banks. That would exceed the limits of this article. I only want to show the general principle that I feel should be adopted and one of the easiest applications of this principle.

Rather than trying to draw the greatest amount of savings bank income into the Treasury and into public funds, the government should exercise all its power in giving, under its guarantee, a use to these small investments that is local and that least exposes the state to a universal and sudden bank run.<sup>15</sup> This is the principle.

As for its application, this is what I have to say:

In every village in France, there are pawnshops that are called *monts-de-piété*.<sup>16</sup> These *monts-de-piété* are highly usurious establishments because they generally lend at 12 percent without any risk. It is true that the money they accumulate in this manner is used to endow almshouses,<sup>17</sup> so that these *monts-de-piété*

can be considered as establishments which ruin the poor man, so as to prepare for him a refuge in his poverty.

This simple presentation speaks for itself. It is evident that, in the interest of the indigent classes and in the interest of order and of public morality, we should hasten to find other sources for almshouse revenues.

From the moment when the link that unites the *monts-de-piété* and the almshouses<sup>18</sup> is broken, nothing is more natural than to unite the *monts-de-piété* and the savings banks and to make these two things one and the same enterprise.<sup>19</sup>

Under this system, the administrators<sup>20</sup> would receive people's savings with one hand and return those savings to them with the other. Poor people who have money to lend would deposit it in the hands of the administrators, and they, in return for collateral, would return that money to those poor who might need to borrow it. The administrators would be only an intermediary between these two groups. In reality, it would be the thrifty poor or those momentarily favored by fortune who would lend their savings at interest to the wasteful or unfortunate poor.

There is nothing simultaneously simpler, more practical, and more moral than such a system: using poor people's savings in this manner would not run any risks for the state or for the poor themselves, because there is nothing more certain in the world than a collateralized loan.

Since the interest on the borrowed money would thus not be used except to pay the interest on the savings deposited by the poor person, two very useful results could be obtained simultaneously: it would no longer be necessary to demand usurious interest from the poor person who borrows at interest, and a higher interest rate could be given to the poor person who deposits his savings. The first could easily be reduced to 7 percent, and the other raised to 5 percent, which would be a double benefit.

It is true that we might find moments of general poverty in which savings bank depositors would come to reclaim their money, while the numbers of borrowers from the *monts-de-piété*



would increase unduly. The administrators would thus receive less from the former and would be obliged to supply more to the latter.

It is easy to see that the danger posed by this is neither noticeable nor genuine.

No establishment enjoys more credit than a pawnshop. Those who lend it money run no risk because they have the collateral itself as the guarantee of their loan. It is for this reason that the *monts-de-piété* have always found a way to borrow cheaply even when the State or private individuals were without credit. Thus, if the administrators of whom I speak would find themselves temporarily without the savings of some poor people, they would borrow in order to cope with the collateralized loans that other poor people would be giving to them, and they would still make a profit, because they would borrow at 5 percent and lend at 7 percent.

Besides, I do not claim to be the inventor of the system that I am explaining here. The merging of the *mont-de-piété* and the savings bank took place . . .<sup>21</sup> years ago in one of our most important cities, in terms of philanthropic and popular institutions: the city of Metz.<sup>22</sup> By dint of this union, the administrators of the savings bank could pay depositors who have less than . . .<sup>23</sup> francs 5 percent instead of 4 percent, and the administrators of the *mont-de-piété* (who are the same people) have been able to lower the interest on securitized loans to 7 percent, while in Paris, one still only manages 12 percent. Moreover, the administrative fees of these two establishments have been cut in half since they have been brought together as one. Finally, and to complete the picture, it is necessary to add that Metz's savings bank as well as the *mont-de-piété* have come through the Revolution of 1830 and the financial crisis that followed without experiencing any significant disturbance.

So the ideas that I am explaining have experience as well as reason on their side. Why has the government, which has recently showed a genuine solicitude for the material interests of

the indigent classes, not tried to take advantage of this useful experience? Why is it that, far from bringing about the union of savings banks and *monts-de-piété*, it daily resists the demands of those who appeal to it for this purpose? I can understand this only with difficulty. If one ever manages truly to draw all of the savings of the poor into the hands of the State, the ruin of the poor and of the State itself would not fail to happen. Would the government believe its safety involved linking the existence of the working classes to its own existence in such a way that one could not be destroyed without ruining them both? I then cannot believe in such a dangerous enterprise. For me, I avow that in the combination I indicated, I see the most powerful means that one could use to reap savings banks' benefits while eliminating a part of their dangers. I say "a part" because it is clear that the proposed remedy would, over a period of time, become insufficient.

If this investment has been restricted in a way that savings have not, so that savings banks' administrators are able to use the savings of the poor only in making collateralized loans, a day would certainly arrive when one would be obliged to turn away a part of the new depositors. This would be a great evil, because it would cause a continual doubt in the minds of the poor about investing savings and, consequently, a strong temptation not to save.

So I would not want the State to decisively end its savings banks for the poor. I would allow the legislation that we presently have to remain; but I would authorize the savings banks to deposit their funds in the Public Treasury only when the *monts-de-piété* could not put them to use. In this way, we would have all of the institution's advantages and we would have avoided the greatest part of its dangers.

But this is still not enough. As long as the poor person does not want to deposit his money except with the condition of being able to withdraw it upon demand, and as long as there are not certain and easy means of putting that money elsewhere, we will not obtain results that are simultaneously great and sure.

## Second Memoir on Pauperism (1837)

1. Substitutions, abolished in 1792, allowed the undivided transmission of landed property from generation to generation.

2. In “Advice to a Young Tradesman, Written by an Old One” (1748), Franklin writes, “In short, the Way to Wealth, if you desire it, is as plain as the Way to Market. It depends chiefly on two Words, Industry and Frugality; i.e. Waste neither Time nor Money, but make the best Use of both.” See Ralph L. Ketcham, ed., *The Political Thought of Benjamin Franklin* (Indianapolis: Hackett, 2003), 53.

3. The word is *éclairés*, which can also mean “knowledgeable.”

4. A word is missing in the text.

5. The term gains an exploitative connotation through Marx and Engels, writing after Tocqueville.

6. Tocqueville notes that by “England,” he means “that portion of the British Isles that includes England properly speaking, Wales, and Ireland.”

7. The ellipsis points are Tocqueville’s. Perhaps he intended to develop the point further.

8. Tocqueville plays upon the sense of *fortune* as destiny and its economic sense.

9. In contributing money to saving banks, the poor would be “loaning” money to the state, which the state might misuse (“seize”). But it would also be possible that all of the poor would suddenly — “by their own imprudence” — have need of their deposits, in which case there would be a run on the savings banks. If everyone tried to withdraw, the State (which Tocqueville here calls the “creditor” of the poor lenders) would not have sufficient funds to pay out, and it would “go bankrupt.”

10. That is, political or economic crisis.

11. Charles Dupin (1784–1873) was a French mathematician and economist. His works in political economy focus on both Britain and France.

12. The phrase is *le fait générateur*; Tocqueville deploys the same term in the opening paragraphs of *Democracy in America*, describing equality of conditions he observes in the United States.

13. The word is *lumière*, which can also mean “knowledge.”

14. In the margin, Tocqueville had jotted, “In sum, the public treasury gives the poor all the advantages of a state-backed asset, and it undertakes all of the risks.”

15. *Un recours*, or the legal right to demand payment or compensation.

16. Begun in northern Italy in the fifteenth century, the *monts-de-piété* (mounts of piety; sometimes also called Lombard Banks) were early charitable organizations run by the Catholic Church that made loans to needy individuals at moderate interest rates. Borrowers deposited items of value in exchange for a monetary loan of part of the item's value; the interest from the loan paid the *mont-de-piété*'s operating expenses. The capital to be lent was donated by individuals and corporations who contributed to the *mont-de-piété* as a charity rather than an investment. Because *monts-de-piété* were independently run by towns, interest rates varied. At the beginning of the nineteenth century, the rate of the Paris *monts-de-piété* would have exceeded 30 percent, though by the time Tocqueville was writing, that rate had fallen to about 7 percent. Thus, the 12 percent Tocqueville mentions is at the high end of the national spectrum, though his calling that rate "highly usurious" should also be understood in a context in which private moneylenders might have charged more than 40 percent interest.

17. *Hospices*, where the elderly and poor could be housed and cared for.

18. Here, Tocqueville uses *hospitaux*, whose meaning at the time was interchangeable with "hospice."

19. In the margin, Tocqueville jots, "This would be a veritable bank of the poor, for which the poor would furnish the funds." These reformed savings associations would be hybrid entities, combining the state-sponsored savings bank with the private *monts-de-piété*.

20. Throughout these paragraphs, the French is *administration*.

21. A word is missing in the text.

22. In the 1830s, Félix de Viville, who was the first to hold simultaneous directorships of both the *mont-de-piété* and the savings bank in Metz, authored several pamphlets on savings banks and *monts-de-piété*.

23. A word is missing in the text.